UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN CARFAGNO, derivatively on behalf of CENTERLINE HOLDING COMPANY, Plaintiff, v. MARC D. SCHNITZER, STEPHEN M. ROSS, JEFF T. BLAU, LEONARD W. COTTON, ROBERT J. DOLAN, NATHAN GANTCHER, JEROME Y. HALPERIN, ROBERT L. LOVERD, ROBERT A. MEISTER, JANICE COOK ROBERTS, and THOMAS W. WHITE, Defendants, and CENTERLINE HOLDING COMPANY, a Delaware Statutory Trust, Nominal Defendant.	Case No. 1:08-cv-00912-SAS-JCF ECF Case

DECLARATION OF SCOTT D. HAKALA, Ph. D., CFA

RELATING TO THE PROPOSED SETTLEMENT

I. SUMMARY

1. Counsel for the Plaintiff in the above matter has requested that I evaluate the terms of the proposed settlement in terms of the replacement of each Series A-1 Preferred Share with a cumulative dividend of 11.0% and a conversion price of $10.75 per common share ("Original Preferred Share") held by The Related Companies, L.P. ("TRCLP") with a newly issued preferred share ("Replacement Preferred Share") with a

cumulative dividend of 9.5% and a conversion price of $12.35 with all other terms remaining the same as for the originally issued shares. In this context, I concluded the following:

a. Based on my prior analysis set forth in my expert report dated October 20, 2008, the terms of the Replacement Preferred Share would be considered within the range of fairness and eliminate most of the damages determined in my prior expert report and consistent with the terms originally set forth in materials prepared for Centerline Holding Company by its financial advisor, Bear Stearns.

b. The cancellation of the Original Preferred Shares held by TRCLP and issuance of Replacement Preferred Shares to TRCLP results in a substantially lower cost of capital to Centerline Holding Company and represents a present value benefit as of May 11, 2009 of approximately $8.2 million. This is based on consideration of alternative analyses (taking into account the current suspension of preferred dividends) that estimated the present value benefit of the settlement (based on the revised terms for the preferred shares held by TRCLP) of between $7.94 million and $8.60 million (representing a benefit from the reduction in the present value of future preferred share dividends of approximately $7.14 million to $7.89 million and benefit from the reduction in the conversion value approximately $0.80 million to $0.72 million, rounded). Additionally, assuming resumption of preferred dividends, the maximum present value benefit from the change in the terms of the preferred shares held by

TRCLP is approximately $10.16 million (representing a benefit from the reduction in the present value of future dividends of approximately $9.45 million and benefit from the reduction in the conversion value approximately $0.72 million, rounded).

II. BACKGROUND AND QUALIFICATIONS OF THE EXPERT

2. I am a director of CBIZ Valuation Group, LLC, a national business valuation and consulting firm that operates as a wholly owned subsidiary of CBIZ, Inc., a publicly traded business services firm (NYSE: CBZ). CBIZ Valuation Group is one of the largest business valuation and consulting firms in the United States with offices in Dallas, Chicago, Atlanta, St. Louis, Milwaukee and Princeton (New Jersey). CBIZ Valuation Group employs approximately 100 individuals providing business valuation services to public and private companies.

3. I received a Doctor of Philosophy degree in Economics and a Bachelor's degree in Economics from the University of Minnesota. I have earned the professional designation of Chartered Financial Analyst, awarded by the Association for Investment Management and Research. My firm and I are frequently called upon to value options, warrants, and convertible securities, including valuing such securities for financial reporting purposes for public companies. Additionally, I taught the valuation of these securities and supervised a dissertation on option pricing while employed at Southern Methodist University. A major focus of my academic training, my experience as an Assistant Professor and my practice for the past seventeen years as a consultant has involved estimating the cost of capital and determining the cost of capital for both public

and private companies, including in analyses for financial reporting and fairness and solvency opinions. A detailed summary of my qualifications, including prior testimony and articles, is provided on the curriculum vitae attached hereto as Exhibit A.

4. Plaintiffs are being charged fees for my services in this engagement based on my hourly billing rate of $550 per hour in 2008 and $575 per hour in 2009. I have received assistance from other staff employed by CBIZ Valuation Group. My staff bills at ranges between $135 and $340 per hour.

III. INFORMATION CONSIDERED

5. My opinions are based on my professional experience, as well as a thorough review of a substantial amount of available materials, including the following materials which I considered in reaching my conclusions:

a. The Consolidated Amended Verified Complaint ("Complaint");

b. Documents produced by Centerline Holding Company to date;

c. The Stipulation of Settlement and associated exhibits;

d. A Prospectus Supplement to Prospectus dated March 1, 2008 regarding the Rights Offering for 11,216,628 11.0% Cumulative Convertible Preferred Shares, Series A-1;

e. The filings of Centerline Holding Company with the Securities and Exchange Commission ("SEC") since January 1, 2007;

f. The depositions and exhibits to the depositions of: Ralph W. Rose on June 17, 2008; Marc D. Schnitzer on June 13, 2008; Robert L. Loverd on June 11, 2008; Hillary Ginsberg on June 10, 2008; Robert Levy on June 6, 2008; Stephen M. Ross on October 2, 2008; Leonard W. Cotton on September 26, 2008; and Jeff T. Blau on October 1, 2008;

g. Stock price, historical volatility and financial information for Centerline Holding Company; Blackstone Group; Fortress Investment Group; Ashmore Group; GLG Partners; BlueBay Asset Management; RAB

Capital; iStar Financial; Capital Trust; Northstar Realty Finance; Gramercy Capital; Newcastle, Anthracite Capital; RAIT Financial Trust; Arbor Realty Trust; Thornbury Mortgage Inc.; BRT Realty Trust; Municipal Mortgage & Equity, L.L.C.; Fannie Mae; Freddie Mac; and JER Investors Trust from June 30, 2007 through March 31, 2008 found on Bloomberg, L.P.;

h. Stock price, historical volatility and financial information for Centerline Holding Company and market average yields-to-maturity for government debt securities (U.S Treasury Notes and Bonds) and corporate securities with equivalent credit ratings of B and B- as a function of maturity date found on Bloomberg, L.P. as of May 11, 2009; and,

i. Security price, yields, credit ratings and interest information for Prime Lending Rates; LIBOR rates; USD REIT Medium Term Notes rated BBB; USD Finance debt rated BB; USD Finance rated BBB; GMAC corporate debt and preferred securities; Corporate-Backed Trust (CBTCS) preferred securities; General Motors corporate debt and preferred securities; PMA Capital 8.5% preferred due 6/15/2018; and Ford Credit preferred securities.

IV. SUMMARY OF ANALYSES AND OPINIONS

6. In my expert report, I presented a variety of analyses of damages and estimates of fairness with respect to the Original Preferred Shares issued to TRCLP. That analysis will not be repeated herein. In that report, I stated, "at a normalized price of $10.00 [per share] after disclosure of the Spinnaker transaction, the present value of the change in the terms of the convertible preferred shares sold to Related represented an additional cost to the shareholders of $17.0 million over five-years and $21.2 million over ten-years." That analysis was based on the valuation at the time of issuance, the increase in the cumulative dividend yield from 9.5% to 11.0% and reduction in the conversion price from $12.35 per share to $10.75 per share.

7. The proposed settlement revises the terms of the preferred shares held by TRCLP to the originally proposed dividend yield of 9.5% and conversion price of $12.35

per share. Given the changes in market interest rates for non-investment grade securities and economic conditions and changes in the financial condition of Centerline Holding Company, the current value of the settlement is less than the original damages at the time of issuance. In my analysis, I reviewed Centerline Holding Company's most recently issued annual report and Form 10-K and the current price and volatility of Centerline Holding Company's shares. The current price of Centerline Holding Company shares was $0.25 and the volatility determined to be appropriate for valuation of 150% was based on the weekly volatility of between 199% for the last 50 weeks and 147% for the last 100 weeks as of May 11, 2009. Centerline Holding Company is currently experiencing operating losses through the end of 2008 as a result of asset impairment and disposal charges and certain non-recurring expense items, but has the ability to recover profitability and realize intrinsic value should market interest rates and expected future economic conditions improve (as has begun to occur of late). Centerline Holding Company's current credit ratings are B2 by Moody's Investors Service and B+ by Standard & Poor's for corporate and senior debt. Given the current suspension of dividends for the preferred shares and the corporate credit rating, a rating of no more than B- would be appropriate for the preferred shares. At a yield-to-maturity of 13.7427 for a B- rating, the Original Preferred Shares would be valued at $10.21 per share (quoted) (as shown in Exhibit B-1) as compared with a value for the Replacement Preferred Shares of $9.30 per share (quoted) (as shown in Exhibit B-2) assuming the payment of dividends. This difference can be divided into a difference in the valuation of dividends of $0.8715 per share and conversion value of $0.0661 per share for a total difference (based on approximately 10.84 million preferred shares held by TRCLP) of $10.16 million

(composed of $9.45 million in reduced dividends and $0.72 million in reduced conversion value).

8. However, given that current dividends are suspended, an additional discount would be appropriate to reduce the dividend valuation. This discount is approximately 17% for dividends in total assuming resumption of dividend payments in January 2013 (based on debt payment schedules and expected recovery of value) with full recovery of unpaid cumulative dividends in approximately July 2016. This reduces the difference in present value for the reduction in the dividend rate (from 11.0% to 9.5%) to $0.7274 per preferred share and the total benefit of the change in the conversion price $0.0661 per preferred share. On this basis, the estimated benefit from the replacement totals approximately $8.60 million (composed of a benefit of $7.89 million in reduced dividends and benefit of $0.72 million associated with the change in the conversion price, rounded).

9. As an alternative, I considered a greater required yield-to-maturity based on a condition of default of approximately 15.74% (2.00% greater than for a B- rating corporate security). Assuming resumption of preferred dividends in 2013, the benefit in the valuation of the reduction in dividend payments was estimated to be $0.6591 per preferred share and the change in conversion price benefit would be $0.0738 per preferred share for a total replacement benefit of $0.7329 per preferred share. Given the preferred shares held by TRCLP, the total benefit of the settlement, at a minimum, is estimated to be $7.94 million (representing a $7.14 million in benefit from the change in dividends and a $0.80 million benefit from the change in the conversion price).

10. In conclusion, the change in the terms of the preferred shares held by TRCLP was material and resulted in a significant and measureable benefit to Centerline Holding Company.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct and, if called upon to testify, would testify accordingly.

Executed this 11th day of May, 2009, at Dallas, Texas.

Scott D. Hakala, Ph.D., CFA

CERTIFICATE OF SERVICE

I hereby certify that on May 12, 2009, the foregoing document was filed with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the email addresses denoted on the Electronic Mail Notice List, and I hereby certify that I have mailed the foregoing document or paper via the United States Postal Service to the non-CM/ECF participants indicated on the Manual Notice List.

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on May 12, 2009.

/s/ David R. Scott

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